

ORIGINAL

01-P11211

# National Grange

of THE ORDER of PATRONS of HUSBANDRY

*A New Century - A New Grange*

February 28, 2001

EX PARTE OR LATE FILE

S 98-264

Commissioner Michael K. Powell  
 US Federal Communications Commission  
 445 12<sup>th</sup> Street, S.W.  
 Washington, DC 20554

RECEIVED

MAR 29 2001

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Dear Commissioner Powell:

The National Grange is the nation's oldest general farm and rural advocacy organization. Founded in 1867, the Grange today has nearly 300,000 individual members affiliated with 3400 local, county and state Grange chapters in rural communities across the nation who are committed to improving the lives of farmers, ranchers and other rural citizens. Grange members are concerned about the future of free, over-the-air commercial television broadcasting. We strongly believe that free television must remain an integral part of the nation's menu of information services. For that reason, the National Grange urges you to support reform of outdated ownership concentration regulations (known as the national "caps") that unduly limit the ability of television station group owners to own individual television stations. These reforms will allow the broadcast television industry to continue to serve the public by providing free television broadcasts that are supported by paid advertising.

Rural Americans rely disproportionately on free television broadcasts, compared to Americans living in urban and suburban communities, for vital information, including weather, emergency situations, local and national news as well as entertainment programming. This is because the pay per view television industry, which has been growing rapidly in urban and suburban communities, does not serve rural America comprehensively. Cable and satellite services currently cover less than thirty (30%) percent of all local markets with fewer than eighty-five (85,000) thousand homes. The costs of extending existing cable infrastructure to most rural communities continues to be prohibitive. While satellite broadcast systems are increasingly popular in many rural communities, there are still significant additional capital costs for rural individuals to purchase, install and maintain these systems that are above and beyond the monthly programming service fees for satellite based television systems. In addition, line of sight limitations in many rural locations that arise from mountains, trees or other obstructions can physically restrict access to high quality satellite broadcast signals for rural residents. These factors, (costs, service and infrastructure) have restricted the competitive growth of pay for view television service in rural communities and require rural Americans to rely on free television broadcasts for comparable service.

However, the explosive growth of the pay television systems in urban and suburban markets is now threatening the future viability of the free, over-the-air television system. A significant reason behind this threat is a regulatory disparity that penalizes broadcasters, thereby giving the cable industry significant unfair ownership advantages. Since 1941, the government has enforced the so-called national ownership "cap" on television station ownership by the original networks. These regulations limit such ownership to 35% of the *potential* viewing audience nationwide. The station ownership limits were put into place at a time when the 3 major networks controlled most of the viewing audience. However, today, network affiliated television stations command a substantially diminished share of the viewing audience. Yet the group

No. of Copies rec'd \_\_\_\_\_  
 List A B C D E

Michael K. Powell, p.2

ownership restriction continues in place in spite of the fact that group owned television stations reach less than 2 or 3 percent of all actual viewers

In contrast, FCC regulations currently allow cable systems owned by a single entity to reach up to 30% of the *actual* national viewing audience. Even more troubling is the fact that while free television broadcasters struggle under a sixty year old regulatory regime to remain competitive, the nation is now witnessing a very dangerous concentration in ownership of cable systems in local markets. For example, a single cable system serves more than 50% of all viewers in 20 of the top 25 markets nationally.

This glaring disparity clearly favors the pay television industry at the expense of free television supported by advertising revenues. This situation needs to be corrected by modifying or redefining the national broadcast television station group ownership "cap" so that, as with the cable franchise ownership "cap", it measures actual viewers instead of the potential audience share. We favor this approach to addressing the problem over other alternatives because modification and relaxation of the station ownership cap will not create any additional regulatory or commercial burden on the pay television industry. It will simply allow the free television broadcast industry greater flexibility to meet the requirements of a competitive and rapidly evolving television market.

If the nation's free over-the-air broadcasters are to survive into the 21<sup>st</sup> century, regulatory parity regarding ownership concentration with the cable television industry is necessary. Accordingly we request that the FCC take steps to redefine the national television group ownership "cap" so that it defines the actual viewing audience instead of the potential viewing audience as the measure of ownership concentration. We welcome the news of your recent endorsement of this important policy change and pledge to work with you to see that it becomes a reality. I would appreciate learning more about your views, and the views of your fellow Commissioners, on this subject.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Leroy Watson".

Leroy Watson, Legislative Director  
National Grange of the Order of Patrons of Husbandry

cc. Commissioner Harold Furchtgott-Roth  
Commissioner Susan Ness  
Commissioner Gloria Tristani